

# Japan Airlines Corporation

## Consolidated Interim Financial Information

*For the six months ended September 30, 2004 and 2003  
and the year ended March 31, 2004*

### 1. Consolidated Financial Highlights

(As permitted by the Securities and Exchange Law of Japan, amounts of less than one million yen have been omitted.)

#### (1) Consolidated Operating Results for the Six Months Ended September 30, 2004 (FH 04) and September 30, 2003 (FH03) and the Year Ended March 31, 2004 (FY 03)

(Millions of yen except for per share information)

(i) Operating revenues	FH04	¥1,075,762	(13.9%)
	FH03	¥ 944,476	(-)
	FY03	¥1,931,742	
(ii) Operating income (loss)	FH04	¥ 86,899	(-)
	FH03	¥ (48,475)	(-)
	FY03	¥ (67,645)	
(iii) Ordinary income (loss)	FH04	¥ 107,873	(-)
	FH03	¥ (49,879)	(-)
	FY03	¥ (71,938)	
(iv) Net income (loss)	FH04	¥ 82,962	(-)
	FH03	¥ (57,591)	(-)
	FY03	¥ (88,619)	
(v) Net income (loss) per share	FH04	¥ 42.14	
	FH03	¥ (29.36)	
	FY03	¥ (45.19)	
(vi) Diluted net income per share	FH04	¥ —	
	FH03	¥ —	
	FY03	¥ —	
(vii) Equity in earnings of affiliates	FH04	¥ 836	
	FH03	¥ 487	
	FY03	¥ 1,221	

Note 1. Weighted average number of shares outstanding during the period:

September 30, 2004	1,968,685,606
September 30, 2003	1,961,632,126
March 31, 2004	1,961,792,998

**(2) Consolidated Financial Position at September 30, 2004 (FH 04) and March 31, 2004 (FY 03) and September 30, 2003 (FH 03)**

(Millions of yen except for per share information)

(i) Total assets	FH04	¥2,223,190
	FH03	¥2,122,874
	FY03	¥2,113,418
(ii) Total stockholders' equity	FH04	¥ 244,050
	FH03	¥ 190,964
	FY03	¥ 159,273
(iii) Stockholders' equity ratio	FH04	11.0%
	FH03	9.0%
	FY03	7.5%
(iv) Stockholders' equity per share	FH04	¥ 123.89
	FH03	¥ 97.33
	FY03	¥ 81.16

Note 1. Number of shares outstanding at end of the period:

September 30, 2004	1,969,907,663
September 30, 2003	1,962,030,778
March 31, 2004	1,962,017,090

**(3) Consolidated Cash Flows for the Six Months Ended September 30, 2004 (FH 04) and September 30, 2003 (FH 03) and the Year Ended March 31, 2004 (FY 03)**

(Millions of yen)

(i) Net cash provided by (used in) operating activities	FH04	¥ 108,797
	FH03	¥ (5,797)
	FY03	¥ 76,345
(ii) Net cash used in investing activities	FH04	¥ (20,837)
	FH03	¥ (55,592)
	FY03	¥ (85,382)
(iii) Net cash provided by financing activities	FH04	¥ 24,496
	FH03	¥ 7,261
	FY03	¥ 7,615
(iv) Cash and cash equivalents at end of the period	FH04	¥ 256,226
	FH03	¥ 91,285
	FY03	¥ 143,327

**(4) Consolidation Policy**

See notes to accompanying consolidated interim financial statements.

**(5) Changes in Accounting Policy**

Not applicable

## **2. Consolidated Financial Forecast for the Year Ending March 31, 2005**

(1) Operating revenues	¥2,128,000 million
(2) Ordinary income	¥ 66,000 million
(3) Net income	¥ 23,000 million
(4) Net income per share	¥ 11.68

For assumptions underlying the forecast and other concerns, refer to page 12 of the attached documents.

## **3. Consolidated Subsidiaries and Affiliates Accounted for by the Equity Method**

As of September 30, 2004, the number of consolidated subsidiaries was 158, including the following principal subsidiaries:

JAPAN AIRLINES INTERNATIONAL CO., LTD.  
JAPAN AIRLINES DOMESTIC CO., LTD.  
JAPAN ASIA AIRWAYS CO., LTD.  
JAPAN TRANS OCEAN AIR CO., LTD.  
JALWAYS CO., LTD.  
JAL EXPRESS CO., LTD.  
JAPAN AIR COMMUTER CO., LTD.  
AGP CORPORATION  
JAL SALES CO., LTD.  
JALPAK CO., LTD.  
JAL TOURS CO., LTD.  
JAL HOTELS COMPANY LTD.  
JALUX, INC.

As of September 30, 2004, the number of unconsolidated subsidiaries not accounted for by the equity method was 132.

As of September 30, 2004, the number of affiliates was 93 including 21 companies accounted for by the equity method.

Changes in the scope of consolidation and adoption of the equity method are summarized as follows:

Consolidation:

(Increase) 3	JTA INFORMATION & COMMUNICATION CO., LTD. RYUKYU AIR COMMUTER CO., LTD. JALPAK INTERNATIONAL (CHINA) CO., LTD.
(Decrease) 5	CREATIVE TOURS DUSSELDORF GMBH ORINET NETWORK (INTERNATIONAL) PTE LTD. ORINET NETWORK (SINGAPORE) PTE LTD. JAL PLANNING CO., LTD. JAL CULTUAL DEVELOPMENT CO., LTD.

Equity method:

(Decrease) 3	JTA INFORMATION & COMMUNICATION CO., LTD. RYUKYU AIR COMMUTER CO., LTD. MTJ DEVELOPMENT SDN. BHD.
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# Japan Airlines Corporation

## Consolidated Balance Sheets

*At September 30, 2004 and March 31, 2004 and September 30, 2003*

	<b>September 30, 2004</b>	<b>March 31, 2004</b>	<b>September 30, 2003</b>
	<i>(Millions of yen)</i>		
<b>Assets</b>			
I. Current assets:			
Cash and time deposits	¥ 257,746	¥ 143,775	¥ 92,569
Notes and accounts receivable – trade	225,600	208,606	221,549
Short-term investments in securities	573	656	580
Supplies	77,903	75,784	77,101
Deferred income taxes	3,359	8,690	13,046
Other current assets	92,760	84,793	91,381
Allowance for bad debts	(3,188)	(3,231)	(3,376)
Total current assets	<u>654,756</u>	<u>519,076</u>	<u>492,852</u>
II. Fixed assets:			
Tangible fixed assets:			
Buildings and structures	240,995	240,189	245,048
Machinery, equipment and vehicles	34,945	37,773	38,501
Flight equipment	833,261	872,256	896,567
Land	86,333	86,362	88,846
Construction in progress	43,171	60,424	66,764
Other tangible fixed assets	23,615	25,275	24,488
Total tangible fixed assets	<u>1,262,323</u>	<u>1,322,281</u>	<u>1,360,216</u>
Intangible fixed assets:			
Software	66,543	64,551	55,492
Goodwill	–	61	131
Other intangible fixed assets	2,111	2,050	2,876
Total intangible fixed assets	<u>68,655</u>	<u>66,663</u>	<u>58,499</u>
Investments:			
Investments in securities	77,102	76,806	73,943
Long-term loans receivable	17,854	18,902	24,746
Deferred income taxes	51,940	49,645	48,401
Other investments	93,718	63,155	67,467
Allowance for bad debts	(3,273)	(3,235)	(3,253)
Total investments	<u>237,343</u>	<u>205,274</u>	<u>211,305</u>
Total fixed assets	<u>1,568,322</u>	<u>1,594,219</u>	<u>1,630,021</u>
III. Deferred charges			
Bond issuance expenses	111	123	–
Total deferred charges	<u>111</u>	<u>123</u>	<u>–</u>
Total assets	<u>¥2,223,190</u>	<u>¥2,113,418</u>	<u>¥2,122,874</u>

	September 30, 2004	March 31, 2004	September 30, 2003
	<i>(Millions of yen)</i>		
<b>Liabilities</b>			
I. Current liabilities:			
Accounts payable – trade	¥ 216,641	¥ 206,043	¥ 193,651
Short-term borrowings	10,584	10,782	17,279
Current portion of bonds	16,700	23,700	38,450
Current portion of long-term loans	120,636	118,545	104,013
Accrued income taxes	4,706	6,572	4,328
Deferred income taxes	94	60	45
Other current liabilities	205,417	194,855	197,153
Total current liabilities	<u>574,781</u>	<u>560,559</u>	<u>554,923</u>
II. Non-current liabilities:			
Bonds	310,000	225,000	196,700
Long-term loans	884,170	936,390	954,225
Accrued pension and severance costs	146,253	163,128	152,806
Deferred income taxes	182	120	109
Other non-current liabilities	39,573	44,806	50,139
Total non-current liabilities	<u>1,380,180</u>	<u>1,369,446</u>	<u>1,353,981</u>
Total liabilities	<u>1,954,961</u>	<u>1,930,005</u>	<u>1,908,905</u>
 <b>Minority interests</b>	 24,178	 24,139	 23,004
 <b>Stockholders' equity</b>			
I. Common stock	100,000	100,000	100,000
II. Capital surplus	141,775	136,678	138,270
III. Retained earnings (accumulated deficit)	17,887	(65,031)	(34,003)
. Net unrealized gain on investments in securities, net of taxes	2,605	2,787	1,246
V. Translation adjustments	(8,888)	(9,958)	(7,764)
VI. Common stock in treasury, at cost	(9,329)	(5,202)	(6,784)
Total stockholders' equity	<u>244,050</u>	<u>159,273</u>	<u>190,964</u>
Total liabilities and stockholders' equity	<u>¥2,223,190</u>	<u>¥2,113,418</u>	<u>¥2,122,874</u>

# Japan Airlines Corporation

## Consolidated Statements of Operations

*For the six months ended September 30, 2004 and 2003  
and the year ended March 31, 2004*

	Six months ended September 30, 2004	Six months ended September 30, 2003	Year ended March 31, 2004
	<i>(Millions of yen)</i>		
Operating revenues	¥1,075,762	¥944,476	¥1,931,742
Operating expenses:			
Cost of operating revenues	797,976	802,141	1,605,917
Selling, general and administrative expenses	190,885	190,809	393,470
Total operating expenses	988,862	992,951	1,999,387
Operating income (loss)	86,899	(48,475)	(67,645)
Non-operating income:			
Interest and dividend income	1,784	1,614	2,928
Equity in earnings of affiliates	836	487	1,221
Exchange gain, net	1,428	—	424
Other income	39,738	21,373	38,450
Total non-operating income	43,787	23,475	43,024
Non-operating expenses:			
Interest expense	12,843	14,816	28,503
Exchange loss, net	—	316	—
Other expenses	9,969	9,746	18,813
Total non-operating expenses	22,813	24,880	47,317
Ordinary income (loss)	107,873	(49,879)	(71,938)
Extraordinary profit:			
Gain on sales of fixed assets	52	—	1,330
Subsidy received for purchases of aircraft for isolated island routes	—	—	1,618
Gain recognized upon separation of substitutional portion of benefit obligation of welfare pension fund plan	—	—	755
Gain on sales of investments in securities	569	951	1,235
Other extraordinary profit	188	357	1,985
Total extraordinary profit	810	1,309	6,923
Extraordinary loss:			
Loss on sales and disposal of fixed assets	8,374	2,005	5,153
Loss on cancellation of lease contracts	6,063	—	—
Loss on investments of unconsolidated subsidiaries and affiliates	—	6,723	6,518
Other extraordinary loss	2,697	1,677	5,462
Total extraordinary loss	17,135	10,406	17,134
Income (loss) before income taxes and minority interests	91,549	(58,976)	(82,148)
Income taxes – current	3,748	4,454	8,854
Income taxes – deferred	3,498	(5,174)	(3,092)
Minority interests	(1,339)	665	(709)
Net income (loss)	¥ 82,962	¥ (57,591)	¥ (88,619)

Japan Airlines Corporation

Consolidated Statements of Capital Surplus and  
Accumulated Deficit/Retained Earnings

*For the six months ended September 30, 2004 and 2003  
and the year ended March 31, 2004*

	Six months ended September 30, 2004	Six months ended September 30, 2003	Year ended March 31, 2004
	<i>(Millions of yen)</i>		
<b>Capital surplus</b>			
Balance at beginning of period	¥136,678	¥147,175	¥147,175
Increase:			
Stock issued under share exchange ( <i>kabushiki-kohkan</i> )	5,069	—	—
Gain on sales of common stock in treasury	26	—	—
Decrease:			
Cash dividends	—	7,844	7,844
Loss on sales of common stock in treasury	—	1,060	2,652
Balance at end of period	<u>¥141,775</u>	<u>¥138,270</u>	<u>¥136,678</u>
<b>Retained earnings (accumulated deficit)</b>			
Balance at beginning of period	¥ (65,031)	¥ 23,481	¥ 23,481
Increase:			
Net income	82,962	—	—
Change in scope of consolidation	—	144	144
Decrease:			
Net loss	—	57,591	88,619
Bonuses to directors and statutory auditors	43	38	38
Balance at end of period	<u>¥ 17,887</u>	<u>¥ (34,003)</u>	<u>¥ (65,031)</u>

Japan Airlines Corporation  
Consolidated Statements of Cash Flows

*For the six months ended September 30, 2004 and 2003  
and the year ended March 31, 2004*

	Six months ended September 30, 2004	Six months ended September 30, 2003	Year ended March 31, 2004
	<i>(Millions of yen)</i>		
<b>Operating activities</b>			
Income (loss) before income taxes and minority interests	¥ 91,549	¥ (58,976)	¥ (82,148)
Adjustments to reconcile income (loss) before income taxes and minority interests to net cash provided by (used in) operating activities:			
Depreciation and amortization	61,802	58,205	119,388
Gain and loss on sales of, and loss on revaluation of, short-term investments in securities and investments in securities, net	(374)	(932)	(569)
Gain and loss on sales of, and loss on disposal of, fixed assets, net	15,080	11,658	17,846
Net provision for accrued pension and severance costs	(17,056)	9,130	19,459
Interest and dividend income	(1,784)	(1,614)	(2,928)
Interest expense	12,843	14,816	28,503
Exchange (gain) loss	(368)	797	547
Equity in earnings of affiliates	(836)	(487)	(1,221)
Increase in notes and accounts receivable	(16,871)	(19,488)	(7,215)
(Increase) decrease in supplies	(1,712)	1,072	2,387
Increase (decrease) in accounts payable	8,753	(10,413)	2,608
Other	(26,686)	9,268	14,366
Subtotal	124,339	13,037	111,023
Interest and dividends received	1,944	1,868	3,386
Interest paid	(13,182)	(13,538)	(29,003)
Income taxes paid	(4,304)	(7,165)	(9,060)
Net cash provided by (used in) operating activities	108,797	(5,797)	76,345
<b>Investing activities</b>			
Purchases of time deposits	(1,147)	(1,002)	(1,092)
Proceeds from maturity of time deposits	109	79	996
Purchases of fixed assets	(60,570)	(83,530)	(151,585)
Proceeds from sales of fixed assets	36,077	21,283	57,285
Purchases of investments in securities	(1,012)	(182)	(974)
Proceeds from sales and maturity of investments in securities	793	3,063	3,615
Proceeds from sales of consolidated subsidiaries resulting in change in scope of consolidation	—	65	103
Loans receivable made	(1,196)	(1,571)	(2,853)
Collection of loans receivable	2,029	6,097	8,875
Other	4,080	103	247
Net cash used in investing activities	(20,837)	(55,592)	(85,382)



	Six months ended September 30, 2004	Six months ended September 30, 2003	Year ended March 31, 2004
	<i>(Millions of yen)</i>		
<b>Financing activities</b>			
Decrease in short-term borrowings, net	¥ (989)	¥ (1,037)	¥ (9,976)
Proceeds from long-term loans	5,859	148,882	200,882
Repayment of long-term loans	(56,819)	(79,824)	(134,638)
Proceeds from issuance of bonds	99,975	—	29,815
Redemption of bonds	(22,000)	(51,045)	(67,495)
Dividends paid to stockholders	(7)	(7,784)	(7,813)
Dividends paid to minority interests	(315)	(336)	(334)
Other	(1,205)	(1,593)	(2,825)
Net cash provided by financing activities	24,496	7,261	7,615
Effect of exchange rate changes on cash and cash equivalents	638	(904)	(1,568)
Net increase (decrease) in cash and cash equivalents	113,094	(55,032)	(2,991)
Cash and cash equivalents at beginning of period	143,327	146,318	146,318
Decrease in cash and cash equivalents arising from exclusion from consolidation	(195)	—	—
Cash and cash equivalents at end of period	¥256,226	¥ 91,285	¥ 143,327
<b>Reconciliation between cash and time deposits and cash and cash equivalents</b>			
Cash and time deposits	¥257,746	¥ 92,569	¥ 143,775
Time deposits with original maturity of more than three months	(1,488)	(1,286)	(448)
Marketable securities with original maturity of three months or less	0	2	0
Current account overdraft included in short-term borrowings	(32)	—	—
Cash and cash equivalents at end of period	¥256,226	¥ 91,285	¥ 143,327

Japan Airlines Corporation  
Notes to Consolidated Interim Financial Statements

*September 30, 2004 and 2003 and March 31, 2004*

**1. Summary of Significant Accounting Policies**

**a. Basis of presentation**

Japan Airlines Corporation (the “Company”, formerly Japan Airlines System Corporation) and consolidated domestic subsidiaries maintain their accounting records and prepare their interim financial statements in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and its consolidated foreign subsidiaries in conformity with those of their countries of domicile. The accompanying consolidated interim financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than Japan.

Amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated interim financial statements do not necessarily agree with the sum of the individual amounts.

**b. Principles of consolidation and accounting for investments in affiliates**

The consolidated interim financial statements include the accounts of the Company and all significant subsidiaries controlled directly or indirectly by the Company. All significant intercompany accounts and transactions and unrealized gain or loss on intercompany accounts and transactions have been eliminated.

The balance sheet date of 27 of the consolidated subsidiaries is June 30, 2004, and for 1 consolidated subsidiary, it is August 31, 2004. Any significant differences in intercompany accounts and transactions arising from intervening intercompany transactions during the period from July 1, 2004 through September 30, 2004 and the period from September 1, 2004 through September 30, 2004 have been adjusted, if necessary.

Investments in significant affiliates are accounted for by the equity method.

The assets and liabilities of newly consolidated subsidiaries are stated at fair value as of their respective acquisition dates. The differences between the cost and the fair value of net equity in the net assets at the dates of acquisition of the consolidated subsidiaries and companies accounted for by the equity method are amortized by the straight-line method over a period of 5 years.

## 1. Summary of Significant Accounting Policies (continued)

### c. Cash equivalents

The Company and its consolidated subsidiaries define cash equivalents as highly liquid, short-term investments with an original maturity of three months or less.

### d. Securities

Investments in marketable securities are stated at fair value and net unrealized gain or loss on such securities is accounted for as a separate component of stockholders' equity. Investments in non-marketable securities are stated at cost. Cost of securities sold is determined principally by the moving average method.

### e. Derivatives

Derivatives positions are stated at fair value.

### f. Supplies

Supplies are principally stated at cost based on the moving average method.

### g. Tangible and intangible fixed assets

#### Tangible fixed assets

Aircraft, spare engines and spare parts	– The straight-line method or the declining-balance method based on their estimated useful lives
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#### Other tangible fixed assets:

Japan Airlines International Co., Ltd. and Japan Airlines Domestic Co., Ltd.	– The straight-line method based on their estimated useful lives
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Other companies	– Principally the declining-balance method based on their estimated useful lives
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Intangible fixed assets	– The straight-line method based on their estimated useful lives
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### h. Deferred charges

Bond issuance expenses are capitalized and being amortized over a period of 3 years.

### i. Accrued pension and severance costs

To provide for employees' severance indemnities, net period pension cost, which represents the amount recognized as the cost of a pension plan for a period, is accounted for based on the projected benefit obligation and the pension plan assets.

## 1. Summary of Significant Accounting Policies (continued)

### i. Accrued pension and severance costs (continued)

The unrecognized obligation at transition is being amortized by the straight-line method principally over a period of fifteen years. The adjustment for actuarial assumptions is being amortized by the straight-line method over a period ranging from five to fifteen years, which is less than the average remaining years of service of the active participants in the plans. Amortization is computed from the fiscal year subsequent to the year in which the adjustment was recorded. Past service cost is principally charged to income as incurred. However, at certain subsidiaries, past service cost is being amortized by the straight-line method over a period which is less than the average remaining years of service of the active participants in the plans.

On September 10, 2004, JAL Pension Fund, the participant of which is a consolidated subsidiary, Japan Airlines International Co., Ltd., resolved to introduce an option which is similar to a cash balance pension plan and other arrangements in addition to the existing plans. As a result, operating expenses for the current period reduced by ¥62,401 million and operating income, ordinary income and income before income taxes and minority interests for the current period increased by ¥62,401 million, respectively.

### j. Allowance for bad debts

The allowance for bad debts on certain receivables is provided at the estimated unrecoverable amount. The allowance for bad debts on other receivables is provided based on the historical rate of losses on receivables.

### k. Foreign currency accounts

Foreign currency receivables and payables are translated into yen at the applicable exchange rates at the end of the period. Translation gain or loss is included in current earnings.

Translation adjustments arising from the translation of assets, liabilities, revenues and expenses of the consolidated subsidiaries and affiliates accounted for by the equity method into yen at the applicable exchange rates at the end of the period are included in minority interests and as a separate component of stockholders' equity.

## 1. Leases

### *As lessee*

The Company and consolidated subsidiaries lease certain equipment under noncancelable lease agreements referred to as capital leases. At the consolidated domestic subsidiaries, capital leases, defined as leases which do not transfer the ownership of the leased property to the lessee, are principally accounted for as operating leases.

## **1. Summary of Significant Accounting Policies (continued)**

### **1. Leases (continued)**

#### *As lessor*

Certain consolidated subsidiaries lease certain equipment under noncancelable lease agreements referred to as direct financing leases. Direct financing leases, defined as leases which do not transfer the ownership of the leased property to the lessee, are principally accounted for as operating leases.

### **m. Hedge accounting**

Gain or loss on derivatives designated as hedging instruments is deferred until the loss or gain on the underlying hedged item is recognized.

Foreign receivables and payables are translated at the applicable forward foreign exchange rate if certain conditions are met.

The related interest differential paid or received on interest-rate swaps used as hedging instruments is recognized over the term of the swap agreement as an adjustment to the interest expense of the underlying hedged items if certain conditions are met.

### **n. Consumption taxes**

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

### **o. Income taxes**

The Company and certain domestic subsidiaries have adopted the Japanese consolidated corporate tax return system.

### **p. Appropriation of capital surplus and/or retained earnings and disposition of accumulated deficit**

Under the Commercial Code of Japan, the appropriation of capital surplus and/or retained earnings and disposition of accumulated deficit with respect to a financial period is made by resolution of the stockholders at a general meeting held subsequent to the close of the financial period and the accounts for that period do not, therefore, reflect such appropriations and disposition.

## **2. Other Information**

### **a. Accumulated depreciation at September 30, 2004 and March 31, 2004 and September 30, 2003 amounted to ¥1,629,115 million, ¥1,632,427 million and ¥1,644,466 million, respectively.**

## 2. Other Information (continued)

- b. At September 30, 2004 and March 31, 2004 and September 30, 2003, contingent liabilities for guarantees amounted to ¥17,295 million, ¥17,208 million and ¥17,115 million, respectively. In addition, at September 30, 2004 and March 31, 2004 and September 30, 2003, contingent liabilities for commitments to guarantees, keep-well agreements and others amounted to ¥1,066 million, ¥1,994 million and ¥2,816 million, respectively.
- c. At September 30, 2003, a consolidated subsidiary was liable under debt assumption agreements for the in-substance defeasance of certain bonds in aggregate amounts of ¥15,000 million.
- d. At September 30, 2004 and March 31, 2004 and September 30, 2003, shares of common stock in treasury numbered 75,557,587, 18,448,160 and 18,434,472, respectively.

## 3. Fair Value of Securities

The components of net unrealized gain or loss on marketable securities at September 30, 2004 and March 31, 2004 and September 30, 2003 are summarized as follows:

	September 30, 2004		
	Acquisition costs	Carrying value	Net unrealized gain (loss)
	<i>(Millions of yen)</i>		
Stocks	¥13,498	¥17,979	¥4,481
Bonds	169	173	4
Other	867	863	(3)
	¥14,535	¥19,017	¥4,481

  

	March 31, 2004		
	Acquisition costs	Carrying value	Net unrealized gain
	<i>(Millions of yen)</i>		
Stocks	¥13,512	¥18,505	¥4,993
Bonds	169	171	2
Other	939	949	10
	¥14,621	¥19,627	¥5,005

### 3. Fair Value of Securities (Continued)

	September 30, 2003		
	Acquisition costs	Carrying value	Net unrealized gain
	<i>(Millions of yen)</i>		
Stocks	¥13,558	¥15,964	¥2,405
Bonds	139	141	1
Other	1,092	1,103	11
	<u>¥14,790</u>	<u>¥17,209</u>	<u>¥2,419</u>

Investments in non-marketable securities at September 30, 2004 and March 31, 2004 and September 30, 2003 amounted to ¥26,843 million, ¥26,809 million and ¥27,437 million, respectively.

### 4. Leases

#### *As lessee*

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased property as of September 30, 2004 and March 31, 2004 and September 30, 2003 and the related depreciation and interest expense for the six months ended September 30, 2004 and 2003 and the year ended March 31, 2004, which would have been reflected in the consolidated balance sheets and the related consolidated statements of operations if capital lease accounting had been applied to the capital leases currently accounted for as operating leases:

	September 30, 2004		
	Flight equipment	Other	Total
	<i>(Millions of yen)</i>		
Acquisition costs	¥575,356	¥19,565	¥594,922
Less accumulated depreciation	210,160	9,185	219,345
Net book value	<u>¥365,196</u>	<u>¥10,380</u>	<u>¥375,577</u>

  

	March 31, 2004		
	Flight equipment	Other	Total
	<i>(Millions of yen)</i>		
Acquisition costs	¥499,349	¥25,604	¥524,953
Less accumulated depreciation	205,948	10,940	216,888
Net book value	<u>¥293,400</u>	<u>¥14,664</u>	<u>¥308,064</u>

#### 4. Leases (continued)

	September 30, 2003		
	Flight equipment	Other	Total
	<i>(Millions of yen)</i>		
Acquisition costs	¥497,057	¥29,717	¥526,774
Less accumulated depreciation	232,093	12,831	244,924
Net book value	¥264,964	¥16,886	¥281,850
	<b>Six months ended September 30, 2004</b>	<b>Six months ended September 30, 2003</b>	<b>Year ended March 31, 2004</b>
	<i>(Millions of yen)</i>		
Depreciation expense	¥25,607	¥23,882	¥48,654
Interest expense	¥ 2,673	¥ 2,537	¥ 5,090

Lease expenses relating to capital leases accounted for as operating leases amounted to ¥28,677 million and ¥27,488 million for the six months ended September 30, 2004 and 2003 and ¥55,537 million for the year ended March 31, 2004.

The present value of future rental expenses under capital leases accounted for as operating leases outstanding at September 30, 2004 and March 31, 2004 and September 30, 2003 is summarized as follows:

	<b>September 30, 2004</b>	<b>March 31, 2004</b>	<b>September 30, 2003</b>
	<i>(Millions of yen)</i>		
Within 1 year	¥ 50,506	¥ 47,332	¥ 47,454
Over 1 year	332,326	268,508	243,453
	¥382,832	¥315,840	¥290,907

Future rental expenses under operating leases outstanding at September 30, 2004 and March 31, 2004 and September 30, 2003 are summarized as follows:

	<b>September 30, 2004</b>	<b>March 31, 2004</b>	<b>September 30, 2003</b>
	<i>(Millions of yen)</i>		
Within 1 year	¥ 24,907	¥ 24,175	¥ 21,555
Over 1 year	135,595	167,368	131,091
	¥160,502	¥191,544	¥152,647



#### 4. Leases (continued)

*As lessor*

The following amounts represent the acquisition costs, accumulated depreciation and net book value of the leased property as of September 30, 2004 and March 31, 2004 and September 30, 2003 and the related depreciation expense and interest revenue for the six months ended September 30, 2004 and 2003 and the year ended March 31, 2004, which are reflected in the consolidated balance sheets and the related consolidated statements of operations:

<b>September 30, 2004</b>			
	Flight equipment	Other	Total
	<i>(Millions of yen)</i>		
Acquisition costs	¥347	¥2,168	¥2,516
Less accumulated depreciation	342	1,504	1,847
Net book value	¥ 5	¥ 663	¥ 669
<b>March 31, 2004</b>			
	Flight equipment	Other	Total
	<i>(Millions of yen)</i>		
Acquisition costs	¥347	¥2,559	¥2,907
Less accumulated depreciation	324	1,702	2,027
Net book value	¥ 23	¥ 857	¥ 880
<b>September 30, 2003</b>			
	Flight equipment	Other	Total
	<i>(Millions of yen)</i>		
Acquisition costs	¥347	¥2,679	¥3,027
Less accumulated depreciation	307	1,685	1,992
Net book value	¥ 40	¥ 994	¥1,035
	<b>Six months ended September 30, 2004</b>	<b>Six months ended September 30, 2003</b>	<b>Year ended March 31, 2004</b>
	<i>(Millions of yen)</i>		
Depreciation expense	¥222	¥260	¥513
Interest revenue	¥ 17	¥ 27	¥ 51

#### 4. Leases (continued)

##### *As lessor (continued)*

Lease revenues relating to direct financing leases accounted for as operating leases amounted to ¥257 million and ¥306 million for the six months ended September 30, 2004 and 2003 and ¥602 million for the year ended March 31, 2004.

The present value of future rental revenues under direct financing leases accounted for as operating leases outstanding at September 30, 2004 and March 31, 2004 and September 30, 2003 is summarized as follows:

	<b>September 30, 2004</b>	<b>March 31, 2004</b>	<b>September 30, 2003</b>
	<i>(Millions of yen)</i>		
Within 1 year	¥346	¥433	¥ 482
Over 1 year	349	474	597
	<u>¥696</u>	<u>¥907</u>	<u>¥1,080</u>

Future rental revenues under operating leases outstanding at September 30, 2004 and March 31, 2004 and September 30, 2003 are summarized as follows:

	<b>September 30, 2004</b>	<b>March 31, 2004</b>	<b>September 30, 2003</b>
	<i>(Millions of yen)</i>		
Within 1 year	¥15	¥15	¥15
Over 1 year	7	15	23
	<u>¥23</u>	<u>¥31</u>	<u>¥39</u>

#### 5. Segment Information

##### a. Business segment information

The Company and its consolidated subsidiaries conduct worldwide operations in air transportation, travel services, hotel and resort operations, card and lease operations, trading and airline-related business. This segmentation has been made for internal management purposes. Businesses other than the air transportation business, airline-related business and travel services are insignificant to the consolidated results of operations of the Company and its consolidated subsidiaries and, accordingly, have been included in "Other."

## 5. Segment Information (continued)

### a. Business segment information (continued)

Business segment information of the Company and its consolidated subsidiaries for the six months ended September 30, 2004 and 2003 and the year ended March 31, 2004 is summarized as follows:

Six months ended September 30, 2004							
	Air trans- portation	Airline- related business	Travel services	Other	Total	General corporate assets and intercompany eliminations	Consolidated
	<i>(Millions of yen)</i>						
Operating revenues	¥754,446	¥ 49,067	¥200,284	¥ 71,963	¥1,075,762	¥ –	¥1,075,762
Inter-group sales and transfers	109,733	93,818	21,503	55,464	280,520	(280,520)	–
Total	864,180	142,886	221,788	127,427	1,356,282	(280,520)	1,075,762
Operating expenses	787,074	139,384	220,688	121,818	1,268,965	(280,103)	988,862
Operating income	¥ 77,106	¥ 3,501	¥ 1,099	¥ 5,609	¥ 87,316	¥ (416)	¥ 86,899

  

Six months ended September 30, 2003							
	Air trans- portation	Airline- related business	Travel services	Other	Total	General corporate assets and intercompany eliminations	Consolidated
	<i>(Millions of yen)</i>						
Operating revenues	¥670,478	¥ 38,816	¥161,334	¥ 73,846	¥ 944,476	¥ –	¥944,476
Inter-group sales and transfers	81,038	80,796	22,091	46,990	230,917	(230,917)	–
Total	751,517	119,612	183,426	120,836	1,175,393	(230,917)	944,476
Operating expenses	799,859	120,269	185,389	118,947	1,224,464	(231,513)	992,951
Operating income (loss)	¥ (48,341)	¥ (656)	¥ (1,962)	¥ 1,889	¥ (49,071)	¥ 595	¥ (48,475)

  

Year ended March 31, 2004							
	Air trans- portation	Airline- related business	Travel services	Other	Total	General corporate assets and intercompany eliminations	Consolidated
	<i>(Millions of yen)</i>						
Operating revenues	¥1,370,548	¥ 75,775	¥337,356	¥148,061	¥1,931,742	¥ –	¥1,931,742
Inter-group sales and transfers	178,274	167,991	44,591	110,060	500,917	(500,917)	–
Total	1,548,823	243,766	381,948	258,122	2,432,659	(500,917)	1,931,742
Operating expenses	1,621,002	241,875	385,894	251,735	2,500,507	(501,119)	1,999,387
Operating income (loss)	¥ (72,179)	¥ 1,891	¥ (3,946)	¥ 6,386	¥ (67,847)	¥ 201	¥ (67,645)

## 5. Segment Information (continued)

### b. Operating revenues from overseas operations

Operating revenues from overseas operations, which include international passenger and cargo services of four domestic subsidiaries, export sales of domestic subsidiaries, and sales of subsidiaries outside Japan, for the six months ended September 30, 2004 and 2003 the year ended March 31, 2004 were as follows:

<b>Six months ended September 30, 2004</b>				
	Asia and Oceania	North and South America	Europe	Total
	<i>(Millions of yen)</i>			
Operating revenues from overseas operations	¥218,381	¥181,305	¥112,825	¥ 512,512
Consolidated operating revenues				¥1,075,762
Consolidated operating revenues as a percentage of operating revenues from overseas operations	20.3%	16.8%	10.5%	47.6%
<b>Six months ended September 30, 2003</b>				
	Asia and Oceania	North and South America	Europe	Total
	<i>(Millions of yen)</i>			
Operating revenues from overseas operations	¥153,325	¥147,144	¥88,997	¥389,467
Consolidated operating revenues				¥944,476
Consolidated operating revenues as a percentage of operating revenues from overseas operations	16.2%	15.6%	9.4%	41.2%
<b>Year ended March 31, 2004</b>				
	Asia and Oceania	North and South America	Europe	Total
	<i>(Millions of yen)</i>			
Operating revenues from overseas operations	¥348,492	¥302,232	¥187,973	¥ 838,698
Consolidated operating revenues				¥1,931,742
Consolidated operating revenues as a percentage of operating revenues from overseas operations	18.0%	15.7%	9.7%	43.4%

### c. Geographic information

For the six months ended September 30, 2004 and 2003 and the year ended March 31, 2004, operating revenues from operations in Japan represented more than 90% of consolidated operating revenues. As a result, geographic information is not required to be disclosed in accordance with accounting principles generally accepted in Japan.

## Components of Revenues in the Air Transportation Segment

	<b>Six months ended September 30, 2004</b>		<b>Six months ended September 30, 2003</b>		<b>Year ended March 31, 2004</b>	
	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
International:						
Passenger operations	¥346,040	40.0	¥250,778	33.3	¥ 549,764	35.5
Cargo operations	83,540	9.7	71,376	9.5	153,015	9.9
Mail service operations	3,537	0.4	4,144	0.6	8,315	0.5
Luggage operations	1,239	0.2	1,127	0.2	2,149	0.1
Subtotal	434,358	50.3	327,426	43.6	713,246	46.0
Domestic:						
Passenger operations	344,912	39.9	343,895	45.8	668,888	43.2
Cargo operations	15,338	1.8	15,090	2.0	30,814	2.0
Mail-service operations	4,791	0.5	5,525	0.7	11,856	0.8
Luggage operations	108	0.0	160	0.0	306	0.0
Subtotal	365,151	42.2	364,671	48.5	711,866	46.0
Other revenues	22,327	2.6	20,721	2.8	41,925	2.7
Incidental business revenues	42,343	4.9	38,696	5.1	81,785	5.3
Total revenues	<u>¥864,180</u>	<u>100.0</u>	<u>¥751,517</u>	<u>100.0</u>	<u>¥1,548,823</u>	<u>100.0</u>